

Finance 613
Macroeconomics and the Global Economic Environment
Professor Andrew Abel
Spring 2022

Finance 613 is a course in macroeconomic analysis and policy in the context of globally integrated economies. The course begins by introducing national income accounts for an open economy and then focuses on a classical analysis of labor markets, goods markets, and asset markets. This part of the course examines the determination of employment, output, prices, wages, interest rates, national saving, investment, and international flows of goods, services, and assets in the long run, and concludes with an analysis of inequality. Then the course shifts its focus to the study of business cycles. The analysis of business cycles begins with a description of the cyclical behavior of various economic variables. This cyclical behavior motivates the development of business cycle models and the application of these models to study monetary and fiscal policy. The analytic engine of this part of the course is the IS-LM model, which is applied in both a classical mode and a Keynesian mode. The course extends the classical and Keynesian IS-LM models to analyze large open economies with flexible exchange rates to study the international transmission of business cycles. Then the course analyzes the conduct of monetary and fiscal policy in a rich institutional framework. The course concludes with an analysis of the macroeconomic effects of climate change.

Lectures and Current Policy Topics

There will be 24 90-minute class sessions. The first part (about an hour or a little more) of most sessions will cover core analytic material; the remaining part of the sessions will be devoted to Current Policy Topics, which are related to the core analytic material.

Reading Materials

The **textbook** for this course is Macroeconomics (tenth edition) by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, Pearson, 2020. This book is available at the Penn Bookstore, but a much less expensive option is to rent the book directly from Pearson at <https://www.pearson.com/store/p/macroeconomics-rental-edition-/P100002678554?viewAll=true>. The Pearson website offers a MyLab version. I do not recommend that you buy this version.

Lecture notes and notes for **Current Policy Topics** are available on Canvas: Files/Slides.

GRADED MATERIALS: Your course grade will be based on the midterm and final exams and on quizzes/graded homeworks.

Exams

1. There will be a Midterm Exam and a Final Exam.
2. The Final Exam is **CUMULATIVE OVER THE ENTIRE SEMESTER.**

3. Both exams are closed-book, closed-note exams, with one one exception: You may use **ONE** double-sided “cheat sheet” (no larger than 8.5” x 11”) for the Midterm Exam and **TWO** double-sided “cheat sheets” for the Final Exam.
4. You must print out the “cheat sheets” on paper. **You are not allowed to use “cheat sheets” on your computer or other device.**
5. You will take the exams **in person in an assigned classroom.**
6. **Students will take exams on their own laptop computers equipped with LDB (Respondus Lockdown Browser). It is your responsibility to download the LDB onto your laptop.**

Note: Statements 3, 4, 5, and 6 are subject to change if Penn/Wharton policy requires exams to be taken remotely.

(Tentative) Schedule of Exams

Midterm Exam: Monday, February 28, 2022, 7:00pm – 9:00pm.

Final Exam: Monday, April 25, 2022, 7:00pm – 9:00pm.

[Note that the date of the final exam has been changed from May 5.]

Students should take note of the following paragraphs from Wharton MBA Academic Policies: Examination Conflict Policy (<https://mba-inside.wharton.upenn.edu/wharton-mba-academic-policies/>)

“If you find yourself with a conflict due to your career search or recruiting activity, you should work with the MBA Career Management Office to find a resolution. ... An employer’s inflexibility on this issue is considered a violation of Wharton’s recruiting policies. A time conflict due to a job interview, a career pursuit or travel is not an appropriate reason to request accommodation on an academic commitment.”

Quizzes/Graded Homeworks

Quizzes/Graded Homeworks are on Canvas under the “Quizzes” tab on the left. Because they are graded exercises, you must work on these quizzes/graded homeworks alone. When you take these quizzes, you can use any written material from the course and you can use a calculator or computer, **but you cannot communicate in any way with any of your classmates or any other person.**

The due dates for quizzes/graded homeworks are shown in the table below. **PLEASE NOTE THAT SOME DUE DATES ARE TUESDAYS AND SOME ARE THURSDAYS—IN TWO OF THE WEEKS, HOMEWORKS ARE DUE ON BOTH TUESDAY AND THURSDAY.** Canvas is configured so that it **WILL NOT ACCEPT QUIZZES AFTER THE DEADLINE.**

Quiz/Graded Homework		Due Date:
Number	Title	8:30am on Date Below
#1	National Income Accounts	Thursday, Jan. 27
#2	Production, Employment, Unemployment	Thursday, Feb. 3
#3	Consumption and Saving	Thursday, Feb. 10
#4	Investment and Goods Market Equilibrium	Thursday, Feb. 17
#5	Open Economy – I	Thursday, Feb. 24
#6	Money, Asset Markets and Asset Returns	Tuesday, Mar. 15
#7	Inequality	Tuesday, Mar. 22
#8	IS-LM	Tuesday, April 5
#9	Inflation and Unemployment	Thursday, Apr. 7
#10	Open Economy – II	Thursday, Apr. 14
#11	Monetary Policy and the Fed	Thursday, Apr. 21
#12	Government Spending and Its Financing	Tuesday, Apr. 26
#13	Climate Change	Thursday, Apr. 28

Course Grade

Your course grade is calculated as $M + F + H$, where

M = normalized score on the Midterm Exam, which will have mean = 80 and standard deviation = 10.

F = normalized score on the Final Exam, which will have mean = 120 and standard deviation = 15.

H = normalized sum of scores on your 11 best Quizzes/Graded Homeworks (that is, the scores on your two lowest Quizzes/Graded Homeworks will be ignored), which will have mean = 40 and standard deviation = 5.

A Note on Deadlines: The policy of dropping your 2 lowest Quizzes/Graded Homeworks is an **INSURANCE POLICY** for you. Because you are being provided with this insurance policy, there will be **NO EXTENSIONS ON THESE GRADED ASSIGNMENTS**. If a problem with hardware, software, connectivity, or loss of power causes you to miss a submission deadline, you will receive a score of zero, but you can use the insurance policy to have that score ignored in your grade calculation. Remember, however, that your Insurance Policy is limited to 2 Quizzes/Graded Homeworks, so use your insurance policy prudently, which means don't use up all your insurance before the final assignments are due.

Office Hours

My office hours are Wednesday, 1:30pm – 3:00pm. In addition, you may schedule appointments to talk with me at other times.

1	Tues Jan 18	Introduction and Overview (Ch. 1)
2	Thurs Jan 20	National Income Accounting (Ch. 2, Secs 1, 2, 4, 5) current policy topic: Interpreting GDP Releases
3	Tues Jan 25	Production and Employment (Ch. 3, Secs. 1, 2, 4) current policy topic: Minimum Wage
4	Thurs Jan 27	Labor Supply and Unemployment (Ch. 3, Secs. 3, 5, 6) current policy topic: Unemployment Insurance
5	Tues Feb 1	Consumption and Saving: Basic Analytics (Ch. 4, p. 112 - middle of 120; App. 4.A, pp. 159- top of p. 171) current policy topic: The Future of Social Security
6	Thurs Feb 3	Consumption and Saving: Applications of the Basic Analytic Framework (Ch. 4, middle of p. 120 - top of p.129; App. 4.A, top of p. 171 to p. 175) current policy topic: Tax Incentives to Saving
7	Tues Feb 8	Capital Investment (Ch. 4, Sec 2) current policy topic: Is There a New Industrial Revolution?
8	Thurs Feb 10	National Saving, Investment and Goods Market Equilibrium (Ch2., Sec. 3 and Ch. 4, Sec 3) current policy topic: Saving and Investment During the Pandemic
9	Tues Feb 15	A Framework for the Open Economy (Ch. 5, Secs. 1 - 2) current policy topic: Trade Patterns
10	Thurs Feb 17	Saving, Investment, and the Current Account (Ch. 5, Secs. 3 - 5) current policy topic: Saving and Investment Around the World
11	Tues Feb 22	Asset Markets, Money, and Prices (Ch. 7) current policy topic: Indexed Bonds
12	Thurs Feb 24	Asset Returns and Prices current policy topic: Bubbles
--	Monday Feb. 28	MIDTERM EXAM 7:00pm – 9:00pm
--	Thurs Mar 3	NO CLASS (transition from core exams to Spring Break)
--	Tues Mar 8	NO CLASS - SPRING BREAK
--	Thurs Mar 10	NO CLASS - SPRING BREAK
13	Tues Mar 15	Inequality Current policy topic: Charitable Contributions
14	Thurs Mar 17	Business Cycle Facts (Ch. 8)
15	Tues Mar 22	The IS-LM Model (Ch. 9, Secs. 1 - 5)
16	Thurs Mar 24	Classical and Keynesian Versions of the IS-LM Model (Ch. 10, Secs. 1 – 2; Ch. 11) current policy topic: Hyperinflations
17	Tues Mar 29	Aggregate Demand and Aggregate Supply (Ch. 9, Sec. 6; Ch. 10, Sec. 3) current policy topic: Forecasts of the Price Level
18	Thurs Mar 31	The Phillips Curve: Unemployment and Inflation (Ch. 12) current policy topic: Political Business Cycles
19	Tues Apr 5	Exchange Rates (Ch. 13, Secs. 1 - 2) current policy topic: Is China a Currency Manipulator ?
20	Thurs Apr 7	Macroeconomic Policy in the Open Economy (Ch. 13, Secs. 3 - 5) current policy topic: Monetary Policy in Argentina
21	Tues Apr 12	Monetary Policy and Institutions (Ch. 14, Secs. 1 - 2) current policy topic: Modern Monetary Theory
22	Thurs Apr 14	Issues in Monetary Policy (Ch. 14, Sec. 3 and Ch. 15, Sec. 4) current policy topic: Inflation Targeting
23	Tues Apr 19	Government Spending and Its Financing (Ch. 15, Secs. 1 -3) current policy topic: Outlook for the Federal Budget
24	Thurs Apr 21	Climate Change current policy topic: Carbon Pricing
--	Monday Apr 25	FINAL EXAM 7:00pm – 9:00pm [Note that date of the final exam has changed from May 5 to April 25]

Ethics Matrix

	Materials							People				
FNCE 613: Macroeconomics and the Global Economic Environment	Approved calculator	Laptop / other electronics	Summary sheet	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Quizzes/Homeworks	A	A	A	A	A	A	A					
Exam Prep	A	A	A	A	A	A	A	W	W	W	W	W
Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												